Fidelis Insurance Holdings Launches in Bermuda with $1.5 Billion

Launch comes amid influx of capital from pension funds, hedge funds

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A newly formed specialty insurance company is launching in Bermuda with $1.5 billion in backing from three private-equity firms and other investors, making it one of the biggest upstarts on an island that is a global hub for the insurance industry.

Fidelis Insurance Holdings Ltd., led by British insurance-industry veterans, is entering a crowded market. Pension funds, hedge funds, sovereign-wealth funds and other big investors have been pouring money into a corner of the insurance world that specializes mostly in property-catastrophe coverage, even as some insurance rates have flattened or declined amid the heightened competition.

Investors are seeking diversification and higher yields amid ultralow interest rates across much of the globe, analysts say. Last year, the amount of "alternative capital" flowing into the reinsurance industry jumped 28%, to $64 billion, out of total reinsurer capital of $575 billion, according to reinsurance broker Aon Benfield. Reinsurers take on some or all of the risk of policies sold by primary insurers to individuals and businesses.

Much of the new money is in reinsurance vehicles that take on the risk of hurricane, earthquake and tornado claims in policies sold by primary insurers and reinsurers.

Fidelis Group Chief Executive Richard Brindle said in an interview the company would approach the insurance and reinsurance business differently than most traditional insurers. The company will focus on aviation, marine, energy and property coverage.

Mr. Brindle said the company will have a "flexible and agnostic" structure that will help it better deal with "challenging market conditions." Fidelis plans to have as much as 90% of its money invested in hedge funds when the underwriting environment is less attractive, but being able to quickly turn around and have as much as 90% invested in underwriting efforts if conditions change.

“The problem with most of the legacy players is they operate with one hand tied behind their backs,” being either committed to the underwriting side of the business or the investment side, said Mr. Brindle, 53 years old, who previously built and ran Lancashire Holdings. That contrasts with traditional insurers that are more rigid in the amount of insurance they write and invest heavily high-quality bonds.

Private-equity firms Pine Brook Partners, Crestview Partners and CVC Capital Partners are investing a combined $650 million, Fidelis said. Goldman Sachs Group Inc. raised the rest of the money, and a unit of its asset-management division helped choose the hedge-fund firms that will manage Fidelis’s investments. The hedge funds will earn fees and a slice of the profits.

Fidelis had been aiming to raise $2 billion, said Mr. Brindle. Goldman is continuing to raise funds, he added.

Unlike other reinsurers that have one investment firm managing their assets, Fidelis plans to work with seven to eight hedge-fund managers. York Capital Management will get the biggest chunk of money, Mr. Brindle said.

Fidelis is targeting returns in the “high single-digits” from its hedge funds and its mix of managers include those betting on and against stocks and wagering on mergers and acquisitions and broader market movers like changes in monetary policy. He added Fidelis has the flexibility to change the manager lineup and the amount of money it has with each fund.

Goldman will work with Fidelis Chief Investment Officer Edward Russell, who will manage the investment portfolio, and Goldman will earn a fee from Fidelis for its advisory service.